



## State of Utah

### Department of Natural Resources

MICHAEL R. STYLER  
*Executive Director*

### Division of Oil, Gas & Mining

JOHN R. BAZA  
*Division Director*

JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

#### Representatives Present During the Inspection:

Company	Vicky S. Miller	Environmental Specialist
Company	Ken Payne	
OGM	Jerriann Ernsten	Environmental Scientist II
OGM	Dave Darby	Environmental Scientist III
OGM	Wayne Hedberg	Environmental Manager
OGM	Priscilla Burton	Environmental Scientist III
OGM	Pete Hess	Environmental Scientist III

## Inspection Report

Permit Number:	<b>C0070039</b>
Inspection Type:	<b>COMPLETE</b>
Inspection Date:	Tuesday, November 29, 2005
Start Date/Time:	11/29/2005 9:55:00 AM
End Date/Time:	11/30/2005 10:15:00 AM
Last Inspection:	Wednesday, October 26, 2005

Inspector: Pete Hess, Environmental Scientist III

Weather: Overcast; cold; windy; snow predicted.

InspectionID Report Number: 796

Accepted by: whedberg  
12/9/2005

Permittee: **CANYON FUEL COMPANY LLC**

Operator: **CANYON FUEL COMPANY LLC**

Site: **DUGOUT CANYON MINE**

Address: **PO BOX 1029, WELLINGTON UT 84542**

County: **CARBON**

Permit Type: **PERMANENT COAL PROGRAM**

Permit Status: **ACTIVE**

#### Current Acreages

7,083.71	<b>Total Permitted</b>
51.11	<b>Total Disturbed</b>
	<b>Phase I</b>
	<b>Phase II</b>
	<b>Phase III</b>

#### Mineral Ownership

- ☒ Federal
- ☒ State
- ☐ County
- ☒ Fee
- ☐ Other

#### Types of Operations

- ☒ Underground
- ☐ Surface
- ☐ Loadout
- ☐ Processing
- ☐ Reprocessing

#### Report summary and status for pending enforcement actions, permit conditions, Division Orders, and amendments:

The DOGM initiated a mid-term review of the permit for the Dugout Canyon Mine on October 13, 2005. A visit to the Pace Canyon construction site, as well as the main facilities area in Dugout Canyon was conducted by the review team members and Ms. Vicky Miller of CFC on November 29, 2005. The records review for this quarterly complete inspection/midterm site visit was completed on November 30, 2005.

The current State permit has one Special Permit Condition, which is listed under Attachment "A"; that condition requires that the Permittee submit all quarterly ground and surface water monitoring information in an electronic form to the Division web site. The Permittee has met and continues to meet the requirement of this Special Condition.

There are no compliance actions currently pending for the Dugout Canyon Mine permit area.

#### Inspector's Signature

Date Wednesday, November 30, 2005

Pete Hess, Environmental Scientist III

Inspector ID Number: 46

**Note:** This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas and Mining.

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## Inspection Continuation Sheet

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### **REVIEW OF PERMIT, PERFORMANCE STANDARDS PERMIT CONDITION REQUIREMENTS**

1. Substantiate the elements on this inspection by checking the appropriate performance standard.
  - a. For COMPLETE inspections provide narrative justification for any elements not fully inspected unless element is not appropriate to the site, in which case check Not Applicable.
  - b. For PARTIAL inspections check only the elements evaluated.
2. Document any noncompliance situation by reference the NOV issued at the appropriate performance standard listed below.
3. Reference any narratives written in conjunction with this inspection at the appropriate performance standard listed below.
4. Provide a brief status report for all pending enforcement actions, permit conditions, Divison Orders, and amendments.

	Evaluated	Not Applicable	Comment	Enforcement
1. Permits, Change, Transfer, Renewal, Sale	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. Signs and Markers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Topsoil	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.a Hydrologic Balance: Diversions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.b Hydrologic Balance: Sediment Ponds and Impoundments	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.c Hydrologic Balance: Other Sediment Control Measures	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.d Hydrologic Balance: Water Monitoring	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.e Hydrologic Balance: Effluent Limitations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Explosives	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Disposal of Excess Spoil, Fills, Benches	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Coal Mine Waste, Refuse Piles, Impoundments	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8. Noncoal Waste	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Protection of Fish, Wildlife and Related Environmental Issues	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10. Slides and Other Damage	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Contemporaneous Reclamation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
12. Backfilling And Grading	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
13. Revegetation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Subsidence Control	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Cessation of Operations	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.a Roads: Construction, Maintenance, Surfacing	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.b Roads: Drainage Controls	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. Other Transportation Facilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. Support Facilities, Utility Installations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. AVS Check	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. Air Quality Permit	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21. Bonding and Insurance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
22. Other	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

### **1. Permits, Change, Transfer, Renewal, Sale**

The current State permit issued by the DOGM remains in effect until March 16, 2008. The Permittee was signed by representatives from CFC and the Division on July 28, 2005. The Permittee received a revision to the Air Quality Approval Order to permit one diesel engine with two backup electrical generators for backup power for the Pace Canyon fan portal installation. DAQE-AN1634005-05 was approved on October 21, 2005.

### **3. Topsoil**

The topsoil pile which has been permitted on the south end of the Pace Canyon fan portal has been constructed. This pile contains approximately 3,027 yards of topsoil, and sits over the 24 inch undisturbed bypass culvert designated as PCUC-2 (Plate PC7-5). The storage pile has been roughened, and a designed berm has been installed about its perimeter. The Permittee has not been able to hydroseed the areas requiring seeding due to sub-freezing temperatures. Ms. Miller intends to seed the piles by hand, and rake the seed sub-surface. The topsoil storage sign is in place.

### **4.b Hydrologic Balance: Sediment Ponds and Impoundments**

The Permittee's Manager of Technical Services completed the third quarter 2005 inspections for the Mine site sediment pond as well as the waste rock disposal pond on September 9, 2005 and August 30, 2005 respectively. The reports were completed by Mr. Dave Spillman, P.E., on September 28, 2005. There were no signs of instability or other hazards reported for either impoundment. There were no compliance issues noted with either pond during today's field inspection. A question did arise relative to what appears to be a fourteen inch pipe standing vertically on the east corner of the pond adjacent to the primary coal haul road. This was installed at the request of the DOGM to seclude a spring. The Division, during previous inspections felt that this was necessary to confirm that the Permittee was not pumping mine water into this impoundment. Relative to the "still under construction" sediment trap at the Pace Canyon fan portal facility, Mr. Spillman has conducted inspection(s) during the construction process. The completion and forwarding of those inspection reports, as required by R645-301-514.311 and 514.312, is pending.

### **4.c Hydrologic Balance: Other Sediment Control Measures**

The silt fence which runs on the west bank of Pace Creek had a few sags in the material which needed minor repair. The damaged areas were probably caused by cattle which are still traveling through this disturbance enroute to the lower grazing areas. It was noted during the inspection of the area surrounding the inlet to the undisturbed bypass culvert designated as PCUC-2 that a method to treat the runoff from the slope between the berm and the disturbed area perimeter needs to be implemented. Straw bales, a silt fence, and erosion control matting have all been discussed with the Permittee. The Permittee was asked to install straw bales on both sides of the inlet apron to treat disturbed area runoff reporting to this culvert.

## **7. Coal Mine Waste, Refuse Piles, Impoundments**

The third quarter 2005 waste rock pile inspection was conducted on July 29, 2005 by Mr. Dave Spillman, P.E., Manager of Technical Services for the Permittee. There were no signs of structural weakness or other signs of instability noted by the Permittee's inspection. Mr. Spillman certified the inspection report on August 9, 2005. As noted during today's field inspection, the refuse facility is well compacted, and shaped to provide positive runoff to the 100 year 6 hour diversion, which in turn reports to the sediment pond. All ditches appeared to be capable of functioning as designed. The Permittee has extended the water bar at the toe of the North slope across the base to direct any intercepted runoff into the collection ditch.

## **9. Protection of Fish, Wildlife and Related Environmental Issues**

The current spill prevention control and counter measure plan (P.E. certification in April 2005) contains a revision to list three bulk storage containments for the Pace Canyon fan facility. Tank #6 stores 8,000 gallons of diesel fuel; two fuel tanks for the diesel generators are also mentioned, (2 tanks @ 1,250 gallons each). Lubricants, oils, and grease amounting to less than 55 gallons are also provided for. All fuels and lubricants exist within a concrete containment in order to prevent soil contamination. Sometime during December, the longwall panel which is currently being mined will pass beneath an eagle nest, which has been extensively discussed with the DOGM, the Utah DWR, and the USFWS. DOGM representatives viewed the nesting area from the Pace Canyon road on 11/29/2005. Mr. Dave Spillman indicated on 11/30 that the location of the nest is approximately 250 to 300 feet from the headgate of the operating panel. Thus, the nest location is inside the tension/compression zone, and this environmental scientist believes that the nesting area will gently subside without major impacts.

## **11. Contemporaneous Reclamation**

The Permittee has completed the backfilling and grading activities on degasification well site G-4; activity at G-3 is ongoing and will continue until snow depths become excessive. The Permittee has checked and repaired all of the disturbed area perimeter fences at the remaining degas wells which required maintenance. All of the topsoil piles which still exist at the well sites have been reseeded. Degasification wells G-2, G-5, and G-6 will not see any reclamation activities this winter.

## **12. Backfilling And Grading**

The Permittee has backfilled the tunnel liner/ manway liner at the Pace Canyon fan portal intake entry. As noted elsewhere in this report, hydroseeding has been delayed due to subfreezing temperatures (water lines on the hydro-seeder freeze up). It is the Permittee's intent to hand seed all areas of the Pace Canyon disturbed area requiring same until warmer temperatures prevail.

**21. Bonding and Insurance**

The Permittee's general liability insurance retains effective coverage until July 31, 2006. The Company providing coverage is ACE American Insurance Company produced through Marsh USA, Inc., 800 Market Street, Suite 2600, St. Louis, MO, 63101-2500. A general aggregate coverage amount of \$500,000 is provided; each occurrence coverage is provided in the amount of \$300,000. Coverage for damage incurred from the use of explosives is also provided. This policy meets the requirements of R645-301-890.100, 890.200, and 890.300. The Permittee recently received a Division approval for Task ID #2310 (September 8, 2005) which escalated the amount of the reclamation bond necessary to reclaim the Dugout Canyon Mine's 51.11 acres to 2010 dollars. The amount of bond necessary remains at \$2,394,000.

**22. Other**

The Permittee's contractor is installing treated fence posts on the uphill perimeter of the Pace Canyon disturbance in order to install the required wildlife fence.